

BOARD OF COMMUNITY HEALTH

August 25, 2004

The Board of Community Health held its regularly scheduled meeting in the Floyd Room, 20th Floor, West Tower, Twin Towers Building, 200 Piedmont Avenue, Atlanta, Georgia. Board members attending were Carol Fullerton, Chairman; Frank Rossiter, M.D., Secretary; Lloyd Eckberg; Kent (Kip) Plowman; Stephanie Kong, M.D., and Inman English, M.D. Commissioner Tim Burgess was also present. (A List of Attendees and Agenda are attached hereto and made official parts of these Minutes as Attachments #1 and #2.)

Ms. Fullerton called the meeting to order at 10:24 a.m. The Minutes of the July 14 meeting were UNANIMOUSLY APPROVED AND ADOPTED. Mrs. Fullerton introduced and welcomed new board member Dr. Inman “Buddy” English.

Commissioner Burgess began his report with an update on the status of the following issues: 1.) Commissioner Burgess gave a brief review of the Medicaid Managed Care Stakeholders Meeting that was held on August 24, 2004 at the Governor’s Mansion. He said the Department will have intense discussions over the next couple of months with smaller, focused stakeholder groups to refine the strategic plan; 2). ACS Settlement - After a series of discussions with ACS, the Department signed a settlement agreement document which settles a number of outstanding issues and clarified a number of Service Level Agreements (SLAs); 3. Medicaid eligibility – the Department has determined that the implementation of Medicaid eligibility requirements and processing should be evaluated. DCH released an RFP to request and in-depth review of the Medicaid eligibility processing system. The Department sought assistance and will work in a concerted effort with the Department of Human Resources in this endeavor. The Department will release its findings when the study is completed.

Commissioner Burgess called on Wade Miller, Chief Information Officer, to give the board an update on Reprocessing and ACS issues. Mr. Miller began his update by discussing general claims processing statistics. The Department continues to make progress with ACS and system fixes. Mr. Miller reminded the Board that the Department had set an expectation of consistently achieving approximately a 75% paid claims rate. The “paid” claims rate over the past 90 days has been consistently between 72-75% per cycle. With regard to claims inventory, Mr. Miller indicated that ACS is staying current with processing incoming claims and those in suspense (30-60 days).

Mr. Miller reminded the Board that the Department has stopped advance payments and is working with providers to recoup the “advance payments” that were issued during the transition. The current balance in outstanding accounts receivable due to advance payments is \$162 million – with approximately \$89 million attributed to the two waiver programs (MRWP and CHSS) that received advance payments for the longest period of time. DCH will continue recouping a percentage of current day claims and 100% of Mass Adjusted claims from providers until their advance payment balances have been resolved.

Mr. Miller continued by discussing the status of system fixes and current work that ACS is performing. Mr. Miller stated that ACS has been working hard to resolve 396 tickets that were a part of the Settlement Agreement. ACS currently has approximately 98 of these tickets remaining for completion. Additionally, Mr. Miller stated that the Department has moved into a normal System Development Life Cycle (SDLC) process with ACS whereby DCH identifies priority system defects or tickets that they want ACS to correct within each quarter. ACS then determines what can be accomplished with available resources and a negotiated quarterly list of system fixes or changes is agreed to. Mr. Miller stated that for the current quarter (ending September 30, 2004, ACS is working on approximately 70 tickets for resolution. Many of these tickets are necessary fixes prior to additional Mass Adjustments occurring for claims originally processed on July 1, 2003 – June 30, 2004. The 70 tickets are in addition to work being conducted on the aforementioned 396 Settlement tickets..

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Mr. Miller discussed the status of Mass Reprocessing by first reminding that that ACS had completed the reprocessing of all claims from April 1, 2003 – June 30, 2003 as promised by June 28, 2004. He then discussed plans for Mass Reprocessing Fiscal Year 2004 claims (claims originally processed from July 1, 2003 – June 30, 2004). Mr. Miller stated that ACS and DCH have been working very closely together to plan the process for how to mass adjust these claims more efficiently than those done for Fiscal Year 2003 claims. He stated that the planning included first identifying system issues that originally appeared during the July 1, 2003 – June 30, 2004 period that had to be resolved prior to initiating the Fiscal 2004 Mass Reprocessing and reiterated that the 70 tickets that ACS is working on as part of their normal maintenance work was inclusive of these tickets. ACS and DCH have been working on and correcting these system issues since early July 2004 and are close to completing those that are required in order to begin mass reprocessing.

Mr. Miller announced that beginning September 6, 2004, DCH and ACS would begin reprocessing claims originally paid from July 1, 2003 to June 30, 2004, on a Category of Service (COS) specific basis. The total universe of claims for this time period (both paid and denied) was 38.4 million. Mr. Miller stated that DCH and ACS did not expect to reprocess every claim from this universe as had been done in the previous reprocessing effort. All denied claims submitted and adjudicated during this period will be reprocessed regardless of COS. ACS will reprocess claims originally paid during this period only if the claims were impacted by a recognized system issue. ACS will process the denied claims first and then will begin executing specific mass adjustments at the Category of Service level based on which claims were impacted by system issues. The mass reprocessing of all FY 2004 claims is scheduled to be completed by December 18, 2004.

Commissioner Burgess called on Carie Summers, Chief Financial Officer, to give an overview of the Disproportionate Share Hospital and Indigent Care Trust Fund Hospital Payments Public Notice. The Department is proposing to change its methods and standards for setting payment for rates for services to more equitably distribute available DSH and ICTF funds. Ms. Summers stated that the changes in policy would become effective October 1, 2004. Those recommendations include 1). Defining rural hospitals - if a hospital's county is not in a Metropolitan Statistical Area (MSA) or if the population of the hospital's county is 35,000 or less, the hospital will be treated as a rural hospital. Forty counties changed from rural to urban with the latest update of the MSA designations; 2). Obstetric services – Ms. Summers said that in large part due to Tattnall County Hospital, CMS clarified its position that the definition of obstetric services should be made at the state level. For rural hospitals that cannot perform routine deliveries because they do not have the appropriate Certificate of Need, the Department will consider the following factors: the hospital must have two or more physicians with staff privileges that are enrolled in the Medicaid program or credentialed to provide OB services at the hospital in family practice, general practice, or obstetrics; and be located within 25 miles of the hospital or in an office in the hospital network or must attest to attendance at the hospital on some routine basis; and the hospital must be able to provide at least one obstetric service that is currently covered by Medicaid and appropriate to be provided in a hospital-based setting; 3). Determining Disproportionate Share Hospital (DSH) limits - the hospital-specific DSH limit calculations used to determine the allocation of ICTF funds will equal 100% of a hospital's loss on services to Medicaid and uninsured patients, excluding any consideration of Medicaid payments made as Upper Payment Limit rate adjustments; however, the combination of ICTF payments and UPL rate adjustments will not exceed the maximum DSH limit permitted under federal rules and regulations; and 4). DSH limit calculations to bring rural hospitals in line with non-rural hospitals - for the allocation of ICTF funds that is based on hospital-specific DSH limit calculations, a 50% adjustment factor will be applied to small rural private hospitals, comparable to the 50% adjustment factor applied to all other private hospitals. An opportunity for public comment on this public notice will be held on September 8 in conjunction with the September Board meeting. After a question from the Board, Mr.

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Plowman MADE THE MOTION to APPROVE the Disproportionate Share Hospital and Indigent Care Trust Fund Hospital Payments Public Notice to be published for public comment. Mr. Eckberg SECONDED THE MOTION. Ms. Fullerton called for votes; votes were taken. The MOTION was UNANIMOUSLY APPROVED. (The Disproportionate Share Hospital and Indigent Care Trust Fund Hospital Payments Public Notice is attached hereto and made an official part of these Minutes as Attachment #3.)

Commissioner Burgess spoke on the State Health Benefit Plan. He stated that he was not ready to make specific recommendations to the Board but warned that the SHBP could face an estimated \$400 million deficit in Fiscal Year 06. Commissioner Burgess said the Department is working closely with Deloitte Consulting to propose a package of recommendations to address this shortfall.

Commissioner Burgess called on Carie Summers to begin discussions on the FY 05 Medicaid budget proposals. Ms. Summers handed out to the Board a briefing document entitled FY 05 Amended and FY 06 Budget Proposal. Ms. Summers began by talking about cash needs in the FY 05 Supplemental Budget. Eighty one million dollars are needed for benefits in the FY 05 Supplemental budget. The Department's original projection for enrollment growth was 3% but the revised projection is 6% due largely to an increase in enrollment for low income adults and children and Right From the Start Medicaid Mothers and Children that is attributed to the prolonged recession. Ms. Summers went on to discuss the FY Administrative Needs. She explained that the FY 05 computer budget was predicated on a certified claims processing system. Since the system is not certified, the state share of operational costs is 25% more. Consequently an additional \$22.7 million in state funds is needed to get through June 2005. Ms. Summers said the Governor's instructions sent to agencies on August 7 outlined that there would be no additional state funds for FY 05 and agencies must live within existing appropriations. In order to meet the \$103.2 million cash needs for FY 05, the Department proposes to use FY 04 surplus funds. Ms. Summers said the Department ended FY 04 with \$168 million in surplus because revenue exceeded budget due to greater Upper Payment Limit Proceeds and aggressive recoupment of prospective payments. FY 04 expenditures also exceeded the projected expenditures by \$63.5 million, leaving \$104.8 million in FY 04 year-end cash surplus. Ms. Summers concluded the FY 05 supplemental budget discussion by stating that no additional cuts are proposed and the FY 04 surplus will cover the FY 05 cash needs.

Ms. Summers continued by discussing the proposed FY 06 Medicaid cash needs. She stated that approximately \$270 million in new state dollars for benefits are needed in FY 06. The Medicaid cost drivers are 1). Utilization – there is 38% or \$100 million of the new state dollars related to utilization, i.e., increases in hospital admissions, provider visits, emergency room visits, outpatients and other services such as dental, health checks and laboratory services; 2). Price (38% or \$102 Million) – increases in hospital admissions (more expensive due to acuity); pharmacy (average wholesale price changes); and other (medical inflation); 3). Enrollment (28% or \$62 million)– continued growth in enrollment especially in Low Income Medicaid; and 4. Scope – remains unchanged.

Ms. Summers talked about the PeachCare for Kids Program. There is a slight surplus in the FY 05 Budget for PeachCare for Kids attributed to significant policy changes. There should be funds available to cover FY 05 cost and roll over funds in FY 06. There are concerns about FY 06 since a fixed amount of federal funds are allotted. Ms. Summers addressed questions and comments from the Board.

Commissioner Burgess spoke on the instructions from the Governor's Office of Planning and Budget received on August 7, 2004. Agencies are asked to submit to OPB three different versions of the budget for FY 06; 97% of FY 05, 100% of FY 05 and 105% of FY 05. The instructions present a unique situation for DCH since OPB

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instructed the agency to include benefit growth projections as part of each budget package. Proposed budget cuts could range from \$172.6 to \$328 million in state funds.

Ms. Summers began discussion on each of the three proposals. She started with the 105% Package (\$172.6 million). 1). Utilization – implement disease and case management; require prior authorization for more than four brand pharmacy prescriptions per month, high cost radiology service and hospital admissions for children; strictly enforce orthodontic policies for children and expand ER Utilization Control pilot program. The estimated savings are \$80.1 million total funds, \$32.0 million state funds; 2. Price – end supplemental payments for neonatal programs; reduce outliers payments, and rebase DRGs and move to a more current grouper for Inpatient hospitals; and adjust cost center standards, growth allowances, efficiency add-ons, and hospital based differentials; require Medicare cost avoidance and utilize FY 2003 cost reports to determine reimbursement rates in nursing homes; in outpatient hospital reduce facility fees to free-standing and hospital-based clinics, reduce the cap applied to outpatient reimbursement and explore alternative reimbursement methodologies for outpatient hospital services; in pharmacy increase AWP discount and eliminate the generic dispensing fee incentive; and reduce across the board 3% rate reduction for all other providers. The estimated savings is \$161.5 million total funds, \$64.6 million state funds; 3. Cost settlements – in outpatient hospital services complete prior year settlements and adjust prospective rates to better estimate future cost settlements. The estimated savings are \$148.0 million total funds, \$59.2 million state funds; 4). Scope – require over the counter coverage in lieu of a prescription for Proton Pump Inhibitors and non-sedating antihistamines and eliminate non-palliative drugs in hospice settings, optional adult dental services, optional adult orthotics and prosthetics and adult podiatry. The estimated savings are \$43.1 million total funds, \$17.2 million state funds; 5). Eligibility – strictly enforce existing income requirements for the PeachCare for Kids program, ensure existing clinical standards are met for participation in long term care, emergency medical assistance and breast and cervical cancer programs and consider promissory notes for nursing home eligibility. The estimated savings are \$27.7 million total funds, \$9.1 million state funds, and 6. Administration – consolidate population-based programs, eliminate funding for the Folic Acid Initiative, Georgia Partnership for Caring and Georgia Rural Health Association, and transfer funding for the Marcus Institute to the Department of Human Resources. The estimated savings are \$800,000 total/state funds.

Ms. Summers continued by discussing the 100% Package (\$269.5 million). 1). Utilization – same as the 105% Package plus placing a fixed expenditure cap for home and community based services provided in the Mental Retardation Waivers and Independent Care Waiver Programs. The estimated savings are \$82.7 Million total funds, \$33.1 million state funds; 2). Cost Avoidance – charge premiums for children ages 1 to 5 in the PeachCare for Kids program. The estimated savings are \$5.4 million total funds, \$1.5 million state funds; 3). Price – same as the 105% package plus reimbursing ambulatory surgical services provided at outpatient hospital settings based on a fixed fee, and reduce across the board 2% rate reduction for all other providers. The estimated savings are \$239.8 million total funds, \$95.9 million state funds; 4). Scope – same as the 105% package plus change the PeachCare for Kids program to provide the same scope of services as the State Health Benefit Plan and eliminate all transportation services for adults. The estimated savings are \$126.0 million total funds, \$50.4 million state funds; 5). Eligibility – same as the 105% package plus cap PeachCare for Kids enrollment at 187,000 children, eliminate presumptive eligibility for pregnant women, eliminate coverage for Low Income Medicaid pregnant women and children and PeachCare for Kids children in families with incomes over the 185% poverty level. The estimated savings are \$90.6 million total funds, \$28.8 million state funds; 6). Cost settlements and administration – same as the 105% package. The estimated savings are \$148.8 million total funds, \$60.0 million state funds.

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Ms. Summers went on to discuss the 97% package (\$327.6 million). 1). Cost avoidance – same as the 100% package plus charge premiums for families of Katie Beckett children based on a sliding scale fee. The estimated savings are \$9.1 million total funds, \$3.0 million state funds; 2). Scope – same as the 100% package plus eliminate the hospice program. The estimated savings are \$154.8 million total funds, \$61.9 million state funds; 3). Eligibility - same as the 100% package plus eliminate all spend-down programs for non-categorical members, reduce coverage for aged, blind and disabled members with incomes greater than two times SSI and eliminate the breast and cervical cancer program. The estimated savings are \$213.7 million total funds, \$75.9 million state funds; and 4). Utilization, price, and cost settlement – same as the 100% package. The estimated savings are \$470.5 million total funds, 188.2 million state funds. Ms. Summers concluded her overview of the FY 05 Amended and FY 06 Budget Proposal. (The FY 05 Amended and FY 06 Budget Proposal is attached hereto and made an official part of these Minutes as Attachment #4.)

There being no further business to be brought before the Board at the August 25 meeting Ms. Fullerton adjourned the meeting at 12:24 p.m.

THESE MINUTES ARE HEREBY APPROVED AND ADOPTED THIS THE _____ DAY OF _____, 2004.

MRS. CAROL FULLERTON
CHAIRMAN

ATTEST TO:

FRANK ROSSITER, M.D.
Secretary

Official Attachments:

- #1 – List of Attendees
- #2 – August 25 Agenda
- #3 – Disproportionate Share Hospital a
and Indigent Care Trust Fund Hospital
Payments Public Notice Long Term
Care Services Public Notice
- #4 - FY 05 Amended and FY 06 Draft
Budget Proposal